

DAAS Administrative Letter No. 06-12

To: Area Agency on Aging Directors
LRO Finance Directors

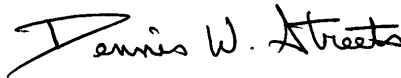
Subject: Consideration of Medicaid Patient Care Services Funding with
Regard to Single Audit Threshold and State Reporting Requirements

Date: August 25, 2006

The Division has had a recent inquiry from a local auditor concerning the applicability of Medicaid patient care services payments in determining the \$500,000 audit threshold for federal funds. OMB Circular A-133, Section 205 (i) states that Medicaid patient care services payments are exempt from consideration of the threshold unless the State provides payment on a cost-reimbursement basis. The State Auditor's Office, the DHHS Controller's Office, and the Division of Medical Assistance concur that Medicaid patient care services payments, including CAP-DA services, are provided on a fee-for-service basis and are classified as purchase of services. Therefore, these services are exempt from consideration in both the \$500,000 audit threshold requirements and the reporting requirements for G.S. 143-6.2.

Please provide this letter to service providers and contact Gary Cyrus or Mark Hensley if the Division can be of further assistance in this matter.

Sincerely,

A handwritten signature in black ink that reads "Dennis W. Streets". The signature is fluid and cursive, with the first name "Dennis" being the most prominent part.

Dennis Streets, Director
Division of Aging and Adult Services

cc: Deborah Atkinson
Don St. Onge
Don McLamb
Joyce Flowers, State Auditor's Office
Mark Hensley